Domtar Limited

Annual Report 1969

Contents

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Domtar Limited
Highlights

	1969	1968
Sales	$464,803,162	$427,398,927
Income taxes – Current	$ 9,210,656	$ 7,300,000
Income taxes – Deferred	$ 4,275,038	$ 2,068,624
Net income	$ 17,809,107	$ 10,834,338
Common shares outstanding	14,827,300	14,700,700
Earnings per common share	$ 1.18	$ 0.72
Dividends per common share	$ 0.60	$ 0.60
Working capital	$149,185,359	$146,192,404
Cash flow – Total	$ 47,084,145	$ 37,902,962
Cash flow – Per common share	$ 3.16	$ 2.56
Expenditures on plant (net)	$ 24,609,131	$ 10,108,558
Book value per common share	$ 16.19	$ 15.63
Number of preference shareholders	1,393	1,435
Number of common shareholders	45,142	48,543
Number of employees – exclusive of woods workers	16,990	17,113
Payroll	$124,200,000	$113,203,000

Domtar Limited Directors and Officers

Directors

*T. N. Beaupré, Montreal,
Chairman of the Board and President, Domtar Limited

George W. Bourke, Montreal,
Chairman of the Board, Sun Life Assurance Company of Canada

Ralph W. Cooper, Hamilton,
President, Cooper Construction Company Limited

*H. Roy Crabtree, Montreal,
Chairman and President, Wabasso Limited

George H. Dobbie, Galt,
President, The Dobbie Industries Limited

Raymond Dupuis, Q.C., Montreal,
Advocate and Company Director

J. E. L. Duquet, Q.C., Montreal,
Senior Partner in the legal firm of Duquet, Mackay, Weldon, Bronstetter, Willis and Johnston

*A. L. Fairley, Jr., Montreal,
President and Chief Executive Officer, Hollinger Mines Limited

Hon. Geo. B. Foster, Q.C., Montreal,
Senior Partner in the legal firm of Foster, Watt, Leggat, Colby, Rioux and Malcolm

P. M. Fox, Montreal,
Chairman of the Board, The Great Lakes Paper Company, Limited

C. L. Gundy, Toronto,
Chairman of the Board, Wood Gundy Securities Limited

Roger T. Hager, Vancouver,
Chairman of the Board and Chief Executive Officer, The Canadian Fishing Company Limited

J. G. Kirkpatrick, Q.C., Montreal,
Partner in the legal firm of Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault

Camille Lacroix, St. Romuald, Quebec,
President, Matapedia Company Limited

Roger Létourneau, Q.C., LL.D., Quebec,
Senior Partner in the legal firm of Létourneau, Stein, Marseille, Bienvenue, Delisle & LaRue

*A. Bruce Matthews, C.B.E., D.S.O., Toronto,
Chairman, The Excelsior Life Insurance Company

*John A. McDougald, Toronto,
President, Argus Corporation Limited

*Maxwell C. G. Meighen, O.B.E., Toronto,
President, Canadian General Investments Limited

Nathan Pitcairn, Jenkintown, Pa.,
Director, The Pitcairn Company

*Arthur Ross, New York,
Executive Vice-President and Managing Director, Central National Corporation

*J. N. Swinden, Toronto,
General Manager, Argus Corporation Limited

*E. P. Taylor, C.M.G., The Bahama Islands,
Chairman, The New Providence Development Company Limited

J. Thomas Timmins, Montreal,
President, Chromium Mining & Smelting Corp. Ltd.

*Colin W. Webster, Montreal,
President, Canadian Fuel Marketers Ltd.

*Members of the Executive Committee

Officers

T. N. Beaupré,
Chairman of the Board and President

P. Delagrave,
Vice-President – Employee and Public Relations

S. A. Kerr,
Vice-President and Secretary

W. R. Lawson,
Vice-President – Purchasing and Traffic

R. J. Moyse,
Vice-President – Finance

A. E. Penney,
Vice-President – Research and Engineering

J. H. Smith,
Controller

E. G. Aust,
Assistant Treasurer

A. Gascon,
Assistant Secretary

J. H. Rennie,
Assistant Controller

Group Presidents

J. Cochran – Domtar Construction Materials Ltd.
A. D. Hamilton – Domtar Pulp & Paper Products Ltd.
A. Monsaroff – Domtar Chemicals Limited

Head Office

395 de Maisonneuve Blvd. West, Montreal 111, Que.

Transfer Agents

for preference and common shares:
Montreal Trust Company – Halifax, N.S.; Saint John, N.B.; Montreal, Que.; Toronto, Ont.; Winnipeg, Man.; Regina, Sask.; Calgary, Alta.; Vancouver, B.C.

for common shares only:
The Bank of New York – New York, N.Y.

Registrars

for preference and common shares:
The Royal Trust Company – Halifax, N.S.; Saint John, N.B.; Montreal, Que.; Toronto, Ont.; Winnipeg, Man.; Regina, Sask.; Calgary, Alta.; Vancouver, B.C.

for common shares only:
The Bank of New York – New York, N.Y.

Les actionnaires qui préféreraient recevoir leurs rapports en français n'ont qu'à en aviser le Secrétaire de Domtar Limitée.

Report of the Directors to the Shareholders

The consolidated financial statements of Domtar Limited and its subsidiaries for the year ended December 31, 1969 together with the report of the Auditors are submitted on behalf of your Board of Directors.

The financial results for 1969 were substantially better than those for the previous year. Sales, cash flow and net income were all significantly higher. A major cause for this improvement was the greater demand for the Company's products, especially in the pulp and paper field, which enabled its facilities to be operated closer to capacity levels.

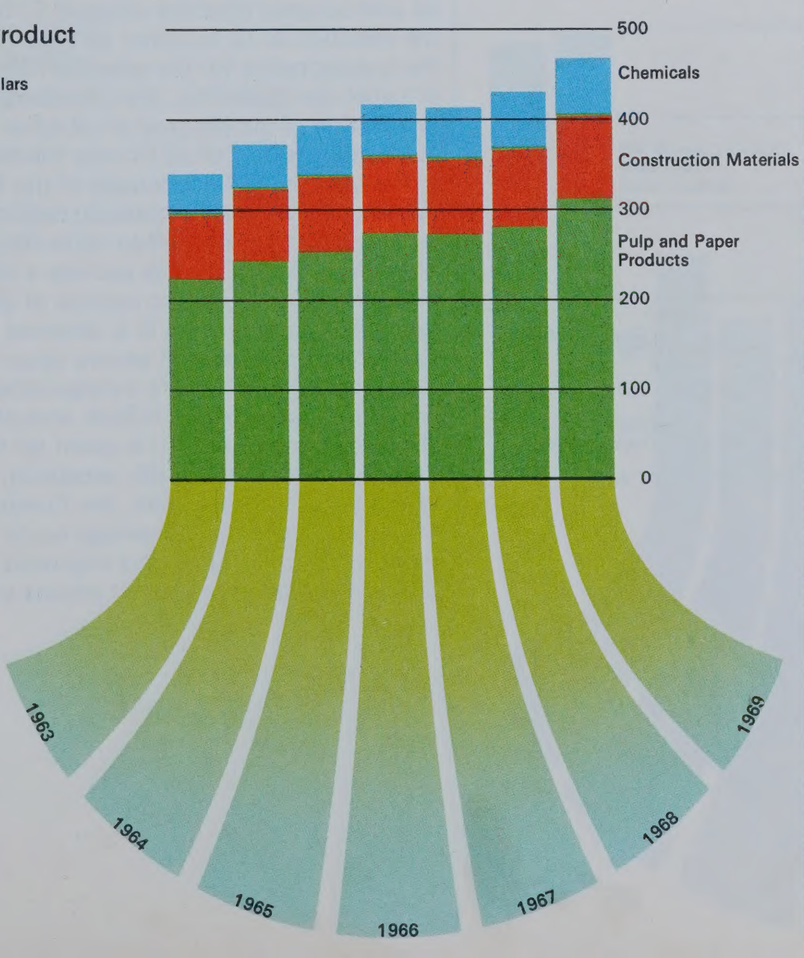
In 1969 net income after all charges amounted to $17.8 million equal to $1.18 per common share compared with $10.8 million or 72 cents per common share in 1968, a gain of 64%.

Cash flow in 1969 totalled $47.1 million or $3.16 per common share as against $37.9 million or $2.56 per common share in the prior year.

Sales reached a record high of $464.8 million in 1969, an increase of $37.4 million over 1968. It is estimated that higher prices accounted for less than 2% of the total net sales value for 1969. The following table provides a brief analysis of sales by the three major product groups for the years 1968 and 1969.

	1969		1968	
	$ millions	%	$ millions	%
Pulp and Paper	$310.1	66.7	$279.0	65.3
Construction Materials	90.7	19.5	86.4	20.2
Chemicals	64.0	13.8	62.0	14.5
	$464.8	100.0	$427.4	100.0

Sales by Product Group
Millions of Dollars



Sales and operating efficiencies in the Pulp and Paper group showed a marked improvement. While selling prices tended to be generally higher, increases were offset by higher costs; the net financial gain was largely due to the utilization of unused capacity. Although prices for pulp improved during the year, by the end of 1969 they were only at the levels that had prevailed some five years ago.

The end of the strikes at the mills in East Angus and Windsor, Quebec also contributed to 1969's results although markets lost through the strikes were not fully regained until the last quarter of the year. Greater output and higher efficiencies were achieved in the pulp mill at Lebel-sur-Quévillon, Quebec.

Despite the scarcity of mortgage money and high interest rates, the Construction Materials company made a creditable gain in sales over 1968.

In the Chemicals group, higher sales of salt and lime were offset to a considerable degree by a lower volume of other products.

Costs of materials, services and labour continued to escalate during the year reflecting the generally inflationary condition of the economy. In view of the unrelenting pressure on profit margins resulting from increasing costs, the Company continues to emphasize cost reduction programs and a considerable portion of the planned expenditures for 1970 is aimed at improving operating efficiencies.

Investment and sundry income amounted to $7.2 million in 1969 compared with $4.7 million for the previous year. A large part of the increase resulted from the investment of additional funds in the money market coupled with higher yields.

Current and deferred income taxes for 1969 were substantially greater than in 1968, amounting to $13.5 million as against $9.4 million. There was a slight decrease in the effective consolidated income tax rate, the higher taxes reflecting the greater revenues in 1969. Profit before income taxes reached $31.3 million compared with $20.2 million in 1968.

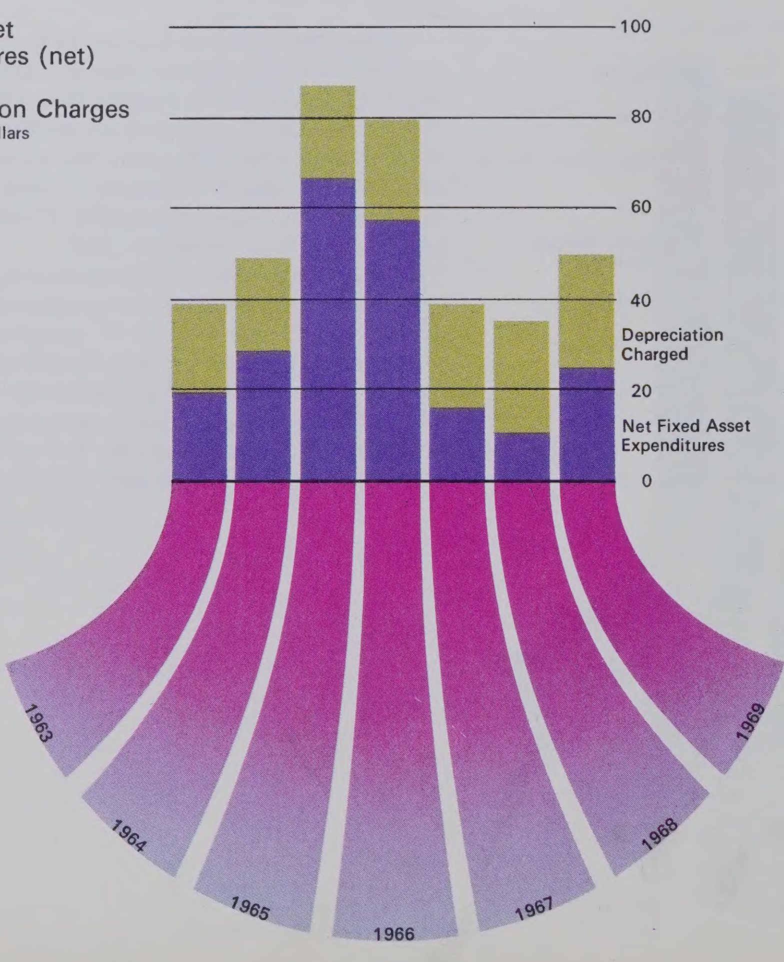
As part of the Company's continuing program of standardizing its accounting practices throughout all segments of its operations, a review of existing depreciation policies was carried out in 1969 with a view to developing a consistent depreciation policy to be applied uniformly throughout Domtar. The new policy was implemented on January 1, 1970. The

depreciation to be charged against income in 1970 will not be materially different from what it would have been under past practices. The method and practice which have been adopted are in line with those of other companies engaged in businesses similar to Domtar's. Generally speaking the new policy follows suggested guidelines for accounting for depreciation and uses the straight line method of writing off the depreciable assets over their recommended useful lives. The Company has been assured that its policy will meet the requirements of the regulatory bodies in Canada and the United States.

Dividends
The regular dividends of $1.00 per preference share and 60 cents per common share were paid in 1969. Canadian holders of the common and preference shares are again entitled under the Canadian Income Tax Act to a 10% depletion allowance on dividends received by them in 1969.

Funded Debt
Consolidated long term debt outstanding at the end of December, 1969 amounted to $147.1 million compared with $155.7 million at the end of 1968. The Company's practice of redeeming funded debt in anticipation of sinking fund requirements continued during the year with the result that the amount of funded debt due within one year and included in current liabilities declined from $2.5 million at the end of December, 1968 to $1.7 million at the end of 1969. In total, some $9 million of funded debt was redeemed during the year. The weighted average annual interest rate on the outstanding debt amounts to 5.9%. Profit before income taxes and interest on funded debt covered interest 4.5 times compared with 3.1 times in 1968.

Fixed Asset Expenditures (net) and Depreciation Charges
Millions of Dollars



Fixed Assets
Net expenditures on fixed assets during 1969 were more than double those for 1968, $24.6 million in 1969 compared with $10.1 million during the previous year. The expenditures covered a wide range of projects, the majority of which were individually under $1 million in total cost and were primarily related to improvements in operating efficiency and product quality. Brief descriptions of the major projects approved in 1969 are contained in the Report on Operations which forms part of the Annual Report.

Capital outlays for 1970 are currently estimated at about $45 million, all of which will be financed from internal sources.

Working Capital
The working capital position of the Company remains healthy with a ratio of current assets to current liabilities of 3.9 to 1.0. Liquidity showed a further improvement during the year. Cash, short term investments and receivables less all current liabilities (the "quick assets") amounted to $60.1 million at the end of 1969 compared with $53.8 million at the end of the previous year, an improvement of $6.3 million.

Organization
Continuing the reorganization of the Company's pulp and paper operations referred to in last year's Annual Report, a Pulp division was formed and became effective January 1, 1970 under the direction of G. G. Flater as Vice-President. He is responsible for the operation of the mill at Lebel-sur-Quévillon, the coordination of the production of market pulp at all other Company mills, and the sale of all Domtar market pulp.

The various traffic functions of the Pulp and Paper operations were consolidated into a central traffic department to serve this sector of the business as well as provide a stronger group for handling traffic matters of significance to the Company overall. It is believed that the revised organization will ensure more efficient management of Domtar's transportation costs which approximate $60 million annually. Of this amount, over $20 million is spent on highway transportation. With rapidly escalating costs in all modes of transportation, the Company decided that significant savings could be made and service to its customers improved by expansion of its heretofore modest private trucking

operations into a larger corporate fleet owned and operated by Domtar and devoted exclusively to the moving of its merchandise both within the organization and from its mills, plants and warehouses to customers. This organization was established in late 1969 and will commence operations in early 1970 when the delivery of truck and trailer equipment is anticipated. The estimated cost of the equipment to be received in 1970 is over $1 million.

A Pulp and Paper Marketing Development and Coordination group was set up with the aim of maximizing the efficiencies of the marketing operations for these products by ensuring a coordinated approach to all pulp and paper markets and by emphasizing market research and planning.

Labour Relations
Fifty-two collective agreements were concluded in 1969 out of a total of 62 scheduled for negotiation. Settlements followed strikes in the Chemicals company at Longford Mills, Ontario and in the Construction Materials company at Calgary, Alberta which involved a loss of 5,760 man-days. The average annual cost of wages and fringes in all the above settlements was 8.2%. The Pulp and Paper Workers of Canada Union struck the Calgary packaging plant on December 31, 1969.

The Domtar Industrial Conversion Plan was applied for the first time in the shutdown of the brick plant at Delson, Quebec. Ninety-nine employees were affected. They were granted supplementary assistance allowances in training, early retirement, mobility and re-establishment; thirty-four were provided with employment in other Company plants, the majority of whom were transferred through the application of the Domtar Reciprocal Transferable Seniority Plan.

Personnel Administration
Work continued during the year on the description and evaluation of managerial positions and a number of new training and development programs were made available and brought into use. Further progress was made on the consolidation of benefit programs, particularly those for negotiated employees.

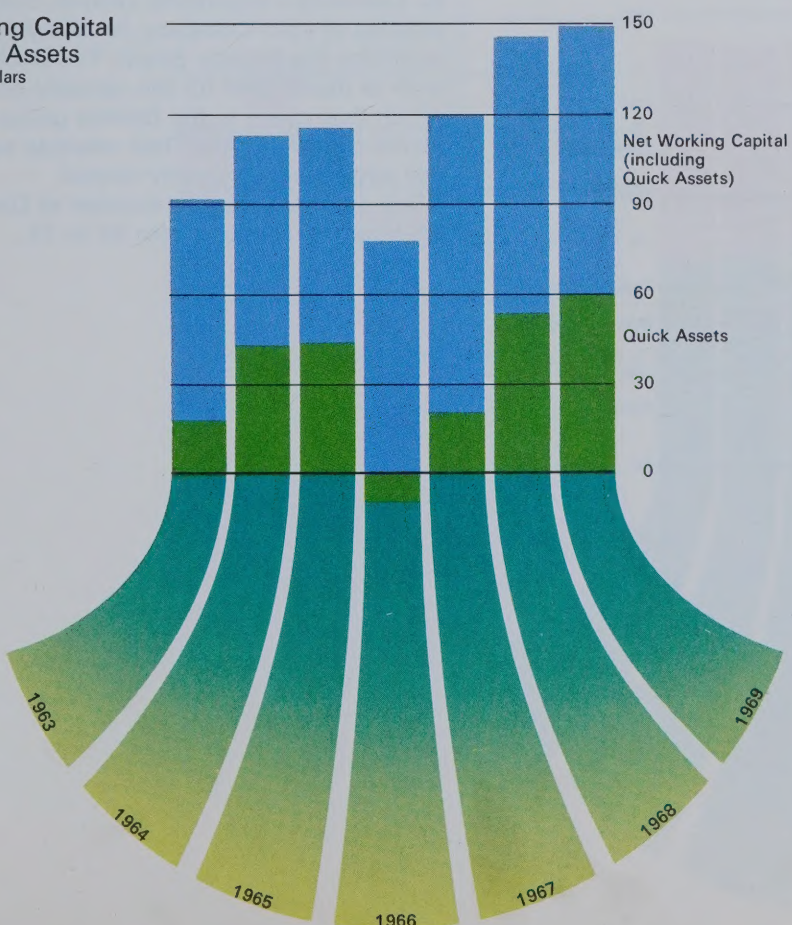
Safety
The overall safety record of the 130 mills, plants and offices of the Company showed a slight improvement over the previous year. Among the larger operations, the newsprint mill at Trois-Rivières, Quebec during the year passed one million man-hours without a lost time accident. Of equal significance, there are almost twenty smaller locations which have exceeded six years without a lost time accident. Unfortunately, these achievements were marred by three fatalities. The reduction of the waiting period for compensable accidents in Quebec from three days to one in 1970 will provide a great challenge to the safety campaign.

Research
At the modern centre located at Senneville, Quebec, the Company maintained a strong research program encompassing most of its business areas. While not ignoring the longer term requirements, the emphasis has been on shorter term work relating to cost reduction and product and process improvement. These projects are developed in close liaison with the various Operating and Marketing divisions.

In the Pulp and Paper sector, the activity has focused on improving processes, product quality and the more economic utilization of available wood fibre resources. Computer techniques aimed at ascertaining the most economical combination of raw materials to produce a particular quality or grade of end product are being investigated.

New building components systems and product finishes are being studied. Research on metal powders continued at a high level with the result that a number of new iron-based alloy powders have been developed.

Net Working Capital and Quick Assets
Millions of Dollars



Pollution

Reflecting the Company's concern for the intelligent protection of our environment, active pollution abatement programs were maintained. The Company has endeavored to improve process controls and efficiencies throughout its mills and plants to prevent or minimize fibre and chemical losses. These programs have been completed in most plants but external facilities and major additions or changes to existing in-plant facilities will be required to effect further progress in pollution abatement and reach the standards required by the various regulatory authorities. All this will entail the expenditure of many millions of dollars in the coming years. The clarifier and associated facilities planned for the Red Rock mill, which will cost over $7 million, are an example.

General

During the year the Canadian Government published its initial proposals for tax reform in a White Paper. These are now under active discussion both inside and outside the government and it appears that they may be significantly changed before becoming legislation. The Company will be making certain representations to the government either directly or through one or more trade associations. Although the Company is concerned about a number of specific points raised in the White Paper, it is particularly disturbed about the apparent adverse effect the proposals would have upon capital accumulation in Canada and, therefore, on the rate of business expansion. Furthermore, it is generally recognized that highly skilled management personnel is a scarce resource yet the proposals are likely to make a business career in Canada compared with one in the United States even less attractive than at present. However, until such time as the tax reforms become much more clearly defined, it is not possible to make specific comments on their effects upon the affairs of the Company.

The Company submitted its brief to The Commission of Inquiry on the Position of the French Language and on Language Rights in Quebec (the Gendron Commission) at a formal hearing in November, 1969. The brief stated Domtar's linguistic policy and the following fundamental principles on which it is based: (a) acknowledgement of Canada's bilingual character; (b) the desirability of employees having a knowledge of both English and French; and (c) disapproval of all forms of discrimination, whether social, linguistic or religious.

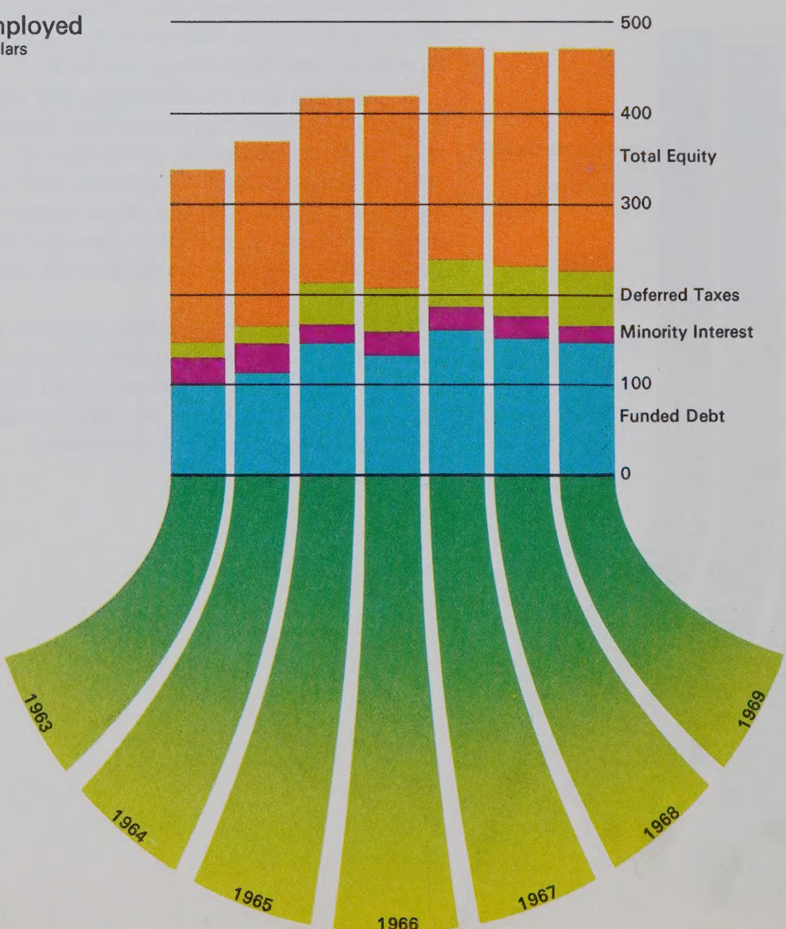
Domtar follows these principles within the limits imposed on it of being both a national and international company which forces management to go beyond the purely cultural considerations of a linguistic policy and take into account technological and economic forces, the importance of which cannot be minimized.

Board of Directors

Due to the Company's policy with respect to an age limit for Directors, Messrs. George W. Bourke, The Honourable George B. Foster, Q.C., and Percy M. Fox will not be standing for re-election as Directors at the 1970 Annual Meeting of Shareholders. Mr. Bourke served on the Board of Howard Smith Paper Mills, Limited and Messrs. Foster and Fox on the Board of St. Lawrence Corporation Limited, both subsidiaries of your Company, for many years prior to joining the Domtar Board. The Directors wish to thank them for the valuable contribution which they made to the Domtar group of companies over the years. Their valuable support and advice will be greatly missed.

It is proposed that the number of Directors on the Board be reduced from 24 to 21.

Capital Employed
Millions of Dollars



Prospects for 1970

The present outlook for 1970 is for a modest improvement in financial results. In the Pulp & Paper sector, prices for those products sold in the domestic market are unlikely to advance significantly due largely to the impact of the Kennedy Round modifications effected by the Federal Government in June of 1969. In offshore markets, the improvement in the relationship between supply and demand in favor of the seller should result in reasonably strong markets. The financial investments made in the various operating units are expected to result in improved efficiencies and increased potential. It is expected that the pulp mill at Lebel-sur-Quévillon will exceed design capacity in 1970. The mills at East Angus and Windsor are expected to show improved results due to the recovery of their markets subsequent to the losses occasioned by the six-month strike in 1968 and early 1969.

The Construction Materials company is forecasting a difficult year because of the scarcity of mortgage funds and high interest rates.

Sales and earnings of the Chemicals group are expected to increase mainly due to an improvement in those parts of that company which did not do well in 1969.

A large number of labour agreements, especially in pulp and paper, come up for renewal in 1970. The Company's financial results will be affected by the settlements reached. Current indications point to a continuation of the inflationary level of union demands.

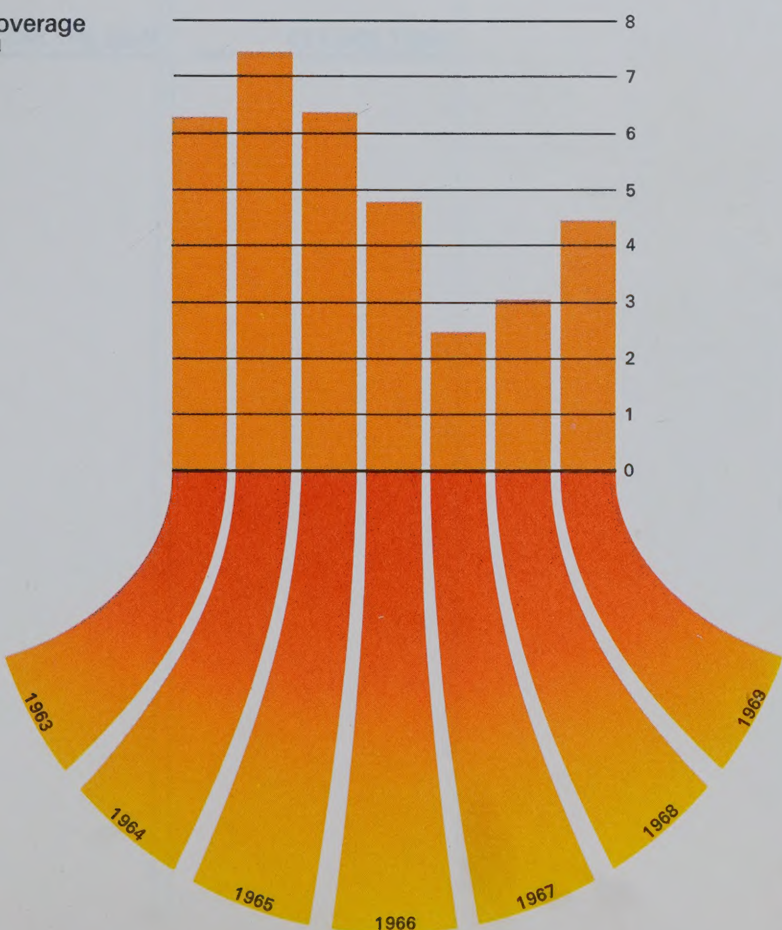
Appreciation

The Board expresses its recognition and appreciation of the earnest efforts and loyalty of those employees whose high level of co-operation and efficiency in the performance of their duties helped to make possible the improved results for 1969.

On behalf of the Board
T. N. Beaupré
Chairman and President

Montreal, Quebec, March 11, 1970.

Interest Coverage
Times Covered



Consolidated Balance Sheet

December 31	1969	1968
Assets		
Current assets:		
Cash and short-term investments	$ 36,442,320	$ 17,025,808
Receivables	75,156,765	66,919,216
Note receivable, due January 31, 1969	—	18,700,000
Inventories of finished products, work-in-process, raw materials and supplies, at lower of cost and net realizable value	58,377,476	59,385,349
Pulpwood, at cost, and expenditures on woods operations	28,923,419	30,888,719
Prepaid expenses	1,781,733	2,118,784
	200,681,713	195,037,876
Investments and advances, at cost:		
Listed securities (quoted value – 1969 - $11,811,000; 1968 - $10,209,000)	13,319,969	13,319,969
Other investments and advances – Note 1	23,122,589	20,736,667
	36,442,558	34,056,636
Fixed assets, at cost:		
Land and water power rights	6,480,174	6,557,366
Plant, machinery, facilities and timber limits	599,852,841	582,213,594
	606,333,015	588,770,960
Less: Accumulated depreciation	315,460,853	297,507,929
	290,872,162	291,263,031
	$527,996,433	$520,357,543

Approved by the Board:
T. N. Beaupré, Director.
Colin W. Webster, Director.

Liabilities

	1969	1968
Current liabilities:		
Bank indebtedness	$ 2,106,517	$ 4,099,264
Payables	41,809,198	37,376,108
Income and other taxes	3,348,406	2,396,004
Dividends payable	2,532,233	2,524,096
Funded debt due within one year	1,700,000	2,450,000
	51,496,354	48,845,472
Funded debt – Note 2	147,099,000	155,729,000
Deferred income taxes	59,254,493	54,979,455
Minority interests:		
Preferred shares of subsidiary companies – Note 3	19,199,450	20,012,800
Common share equity in subsidiary companies	3,835,200	3,999,845
	23,034,650	24,012,645
Capital:		
Capital stock –		
$1 cumulative redeemable preference shares, par value $23.50, redeemable at $25– Authorized and issued – 300,000 shares	7,050,000	7,050,000
Common shares without nominal or par value – Authorized – 20,000,000 shares Outstanding – 14,827,300 shares (after issue of 126,600 shares for cash in 1969)	132,743,822	131,042,318
Surplus resulting from restatement of certain fixed assets – Note 4	11,000,689	11,012,945
Earned surplus, per statement attached	96,317,425	87,685,708
	247,111,936	236,790,971
	$527,996,433	$520,357,543

Consolidated Statement of Net Income

for the Year ended December 31	1969	1968
Sales and revenues:		
Sales	$464,803,162	$427,398,927
Investment and sundry income	7,181,398	4,734,236
	471,984,560	432,133,163
Costs and expenses:		
Cost of sales and selling and administrative expenses	405,042,134	375,616,402
Depreciation	25,000,000	25,000,000
Interest on funded debt	9,021,823	9,648,404
Interest on other indebtedness	449,276	400,458
	439,513,233	410,665,264
Income before income taxes and minority interest	32,471,327	21,467,899
Current income taxes	9,210,656	7,300,000
Deferred income taxes	4,275,038	2,068,624
Minority interest	1,176,526	1,264,937
	14,662,220	10,633,561
Net income for the year	$ 17,809,107	$ 10,834,338

Consolidated Statement of Source and Application of Funds

for the Year ended December 31	1969	1968
Source of funds:		
Net income	$ 17,809,107	$ 10,834,338
Depreciation	25,000,000	25,000,000
Deferred income taxes	4,275,038	2,068,624
	47,084,145	37,902,962
Common shares issued	1,701,504	—
Balance of proceeds from sale of Consumer Products Division	—	18,700,000
Disposals of fixed assets	1,286,919	2,606,844
	50,072,568	59,209,806
Application of funds:		
Expenditures on fixed assets	25,896,050	12,715,402
Dividends on preference shares	300,000	300,000
Dividends on common shares	8,877,390	8,820,420
Investments and advances	2,385,922	232,119
Reduction in funded debt	8,630,000	9,640,000
Reduction in minority interests	977,995	1,149,637
Other	12,256	132,746
	47,079,613	32,990,324
Increase in working capital	2,992,955	26,219,482
Working capital at beginning of year	146,192,404	119,972,922
Working capital at end of year	$149,185,359	$146,192,404

Consolidated Statement of Earned Surplus

for the Year ended December 31	1969	1968
Earned surplus, balance at beginning of year	$ 87,685,708	$ 85,971,790
Net income for the year	17,809,107	10,834,338
	105,494,815	96,806,128
Dividends on preference shares	300,000	300,000
Dividends on common shares	8,877,390	8,820,420
	9,177,390	9,120,420
Earned surplus, balance at end of year	$ 96,317,425	$ 87,685,708

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Domtar Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of net income, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, February 3, 1970

Price Waterhouse & Co.,
Chartered Accountants

Notes to Consolidated Financial Statements

December 31, 1969

Note 1 – Other investments and advances:
The amount shown includes $2,643,613 of secured loans to the Trustees for employees under the company's stock purchase plan.

Note 2 – Funded debt:

Domtar Limited –	
3½% First mortgage sinking fund bonds, Series "B", due August 1, 1970	$ 300,000
5¼% Sinking fund debentures, Series "A" due June 1, 1978 (sinking fund requirements – $1,250,000 annually 1970 to 1977)	16,250,000
6¼% Sinking fund debentures, Series "B", due May 1, 1980 (sinking fund requirements – $675,000 annually 1970 to 1979)	9,600,000
5½% Debentures, Series "C", due April 1, 1982 (sinking fund requirements – $900,000 annually 1970 to 1981)	14,900,000
5¾% Debentures, Series "D", due April 1, 1970	800,000
5¾% Debentures, Series "D", due April 1, 1984 (sinking fund requirements – $800,000 annually 1971 to 1983)	16,000,000
5⅝% Sinking fund debentures, Series "E", due May 1, 1990 (sinking fund requirements – $1,400,000 annually 1973 to 1989)	35,000,000
6¾% Sinking fund debentures, Series "F", due April 1, 1987 (sinking fund requirements – $1,400,000 annually 1975 to 1980 and $2,000,000 annually 1981 to 1986)	35,000,000
	127,850,000
Less: Held for sinking fund	5,699,000
	122,151,000
Howard Smith Paper Mills, Limited –	
3% First mortgage bonds, 1950 Series due December 1, 1970	600,000
St. Lawrence Corporation Limited –	
First mortgage sinking fund bonds –	
5% Series "A", due April 15, 1972 (sinking fund requirements – $979,000 annually 1970 and 1971)	7,315,000
4¾% Series "B", due April 15, 1972, payable in U.S. funds (sinking fund requirements – $356,000 annually 1970 and 1971)	2,660,000
5% Series "C", due May 1, 1978 (sinking fund requirements – $552,000 annually 1970 to 1977)	7,532,000
Sinking fund debentures –	
6¾% Series "A", due June 15, 1980 (sinking fund requirements – $400,000 annually 1970 to 1972 and $1,100,000 annually 1973 to 1979)	12,600,000
	30,107,000
Less: Held for sinking fund	4,059,000
	26,048,000
	148,799,000
Less: Balance of instalments on funded debt due within one year included in current liabilities	1,700,000
	$147,099,000

Note 3 – Minority interests – Preferred shares of subsidiary companies:

Howard Smith Paper Mills, Limited – 156,765 $2 preferred shares of $50 each redeemable at $52½	$ 7,838,250
St. Lawrence Corporation Limited – 113,612 5% preferred shares of $100 each, redeemable at $102 to May 15, 1971, and $101 thereafter	11,361,200
	$ 19,199,450

Note 4 – Surplus resulting from restatement of certain fixed assets:

Excess of restated depreciated value over depreciated book value of certain fixed assets (unchanged during year)	$ 15,141,969
Net excess (after net increase of $12,256 during 1969) of consideration for acquisition of shares of subsidiaries over book value of net assets	4,141,280
	$ 11,000,689

Note 5 –
Remuneration received by directors, including salaries of officers who are also directors, aggregated $229,344 in 1969.

Historical Review

Financial ($ Millions)

	1969	1968	1967	1966	1965	1964	1963
Net fixed assets	290.9	291.3	306.2	316.0	280.4	235.1	226.8
Net working capital	149.2	146.2	120.0	78.6	116.3	113.5	91.7
Investments and advances	36.4	34.0	52.5	27.1	24.7	22.0	21.3
Total net assets	476.5	471.5	478.7	421.7	421.4	370.6	339.8
Represented by:							
Funded debt	147.1	155.7	165.4	137.2	144.0	115.8	102.2
Deferred income taxes	59.3	55.0	53.0	47.9	42.1	25.6	16.5
Minority interest	23.0	24.0	25.1	26.1	27.3	27.9	28.8
Shareholders' equity	247.1	236.8	235.2	210.5	208.0	201.3	192.3
	476.5	471.5	478.7	421.7	421.4	370.6	339.8
Sales and Revenues:							
Pulp and Paper	310.1	279.0	272.0	272.3	255.3	240.5	220.3
Chemicals	64.0	62.0	57.5	56.3	54.1	47.8	43.3
Construction Materials	90.7	86.4	81.0	84.1	80.8	81.6	73.7
Consumer Products	—	—	17.5	17.4	16.6	16.1	15.4
Other revenues	7.2	4.7	2.0	2.0	2.5	2.1	1.2
	472.0	432.1	430.0	432.1	409.3	388.1	353.9
Income before taxes	31.3	20.2	14.4	30.0	41.7	42.4	31.3
Current income taxes	9.2	7.3	4.7	2.8	3.5	12.8	10.5
Deferred income taxes	4.3	2.1	0.6	10.7	16.5	9.1	5.1
Net income	17.8	10.8	9.1	16.5	21.7	20.5	15.7
Cash flow	47.1	37.9	32.0	49.2	59.5	50.1	40.6
Capital expenditures (net)	24.6	10.1	16.4	57.6	66.5	28.9	19.9
Net income per common share	$ 1.18	0.72	0.60	1.10	1.46	1.38	1.06
Cash flow per common share	$ 3.16	2.56	2.16	3.33	4.05	3.41	2.77
Book value per common share	$16.19	15.63	15.52	13.84	13.74	13.29	12.72

Pulp and Paper Production (Tons)

	1969	1968	1967	1966	1965	1964	1963
Newsprint	542,434	520,127	521,856	586,976	532,151	507,115	487,360
Kraft Paper and Board	388,675	364,800	388,912	378,394	435,705	428,705	406,418
Fine and Specialty Papers	250,380	214,700	204,525	207,572	179,529	170,511	131,441
Market Pulp	294,800	221,700	223,683	191,868	195,572	182,169	144,134
	1,476,289	1,321,327	1,338,976	1,364,810	1,342,957	1,288,500	1,169,353

Report on Operations Domtar Pulp & Paper Products Ltd.

Domtar Woodlands Limited

Vice-President and General Manager — A. S. Fleming

Wood deliveries to Domtar mills in 1969 rose by 20% to a record volume of 2.3 million bone dry tons. The increased use of more readily available hardwood and a continuing trend towards consumption of sawmill chips made it possible to hold the net increase in the cost of wood during the year to a reasonable level.

Purchased wood fibre rose to 60% of total deliveries, thereby eliminating for 1969 the possibility of the increased requirements putting an abnormal strain on the resources of Company limits. As a result of the exchange of eight small and widely scattered timber limits in Quebec for a large specially licensed limit in Abitibi near the Quévillon mill, plus cutting rights on an adjacent domanial forest limit, the company's timber reserves are now completely adequate for the Quévillon mill's present needs and its future expansion. These timber reserves also provide protection against a reduction in the availability of purchased wood fibre and give more flexibility than previously enjoyed in the delivery of wood to all the other company mills in Quebec.

Future plans call for the use of sawdust and shavings at Red Rock, Ontario where increasing prices of roundwood are a major problem.

The reduction in pulpwood inventories continues to receive high priority. They were reduced again in 1969 by $2 million to $28.9 million, which is $9.5 million or 25% less than in 1967. Planned deliveries of limit wood directly to the mills at Red Rock and Dolbeau, Quebec, will further decrease working capital requirements over the next two years.

Efforts to contain pulpwood production costs through mechanization continue unabated with $2.5 million being spent on equipment during the year. The successful development of a new high capacity tree-length loader for the Quévillon woods operations has helped to reduce loading costs and increase the hauling capacity of the trucks. This new machine will be an excellent complement to the automatic harvesting equipment now in use on other Company limits.

With the assistance of consultants, efforts have been accelerated to develop the recreational potential of the several hundred thousand acres of the Company's freehold lands in Quebec, Ontario and New York State. This is in response to an increased demand by the public for cottage locations and hunting and fishing rights and the general need for recreation.

Certain timber holdings in the Algonquin and Quetico Parks, which have been leased from the Ontario government, are the centre of considerable controversy as a result of demands by wildlife and other societies that the Company abandon its operations in those areas. The policy continues to be one of cooperation with the government and the public within the limits imposed on the Company to protect the interests of its employees, whose livelihood could be seriously affected by any such abandonment, and its shareholders.

Domtar Newsprint Limited

Vice-President and General Manager — J. S. Hermon*

Substantially improved results were achieved in 1969. Canadian shipments of newsprint were up by 8% over the 1968 tonnage and the industry enjoyed its best year since 1966, operating at 89% of rated capacity. The company shared in this improvement. Especially encouraging was the additional tonnage shipped by the industry to the United States market where advertising lineage increased in 1969. Canadian shipments to the United States had declined since 1966 due to the rapid expansion of productive capacity in that country. However, there are indications that this expansion may level out in 1970 and 1971 and further improvements in shipments to the United States should be made in that period. Domtar's share of sales by Canadian newsprint producers remained in excess of 6% even though it did not fully participate with the industry in the increased shipments to offshore markets. The stronger market for newsprint and groundwood specialty grades and improved performance of the paper machines resulted in 37,000 tons more being produced in 1969 than in 1968. Higher production from machine improvements occurred during the year, particularly at Dolbeau, Quebec, where a new record average daily production was established.

*Mr. Hermon left the Company at the end of February, 1970 to assume the presidency of The James Maclaren Company, Ltd.

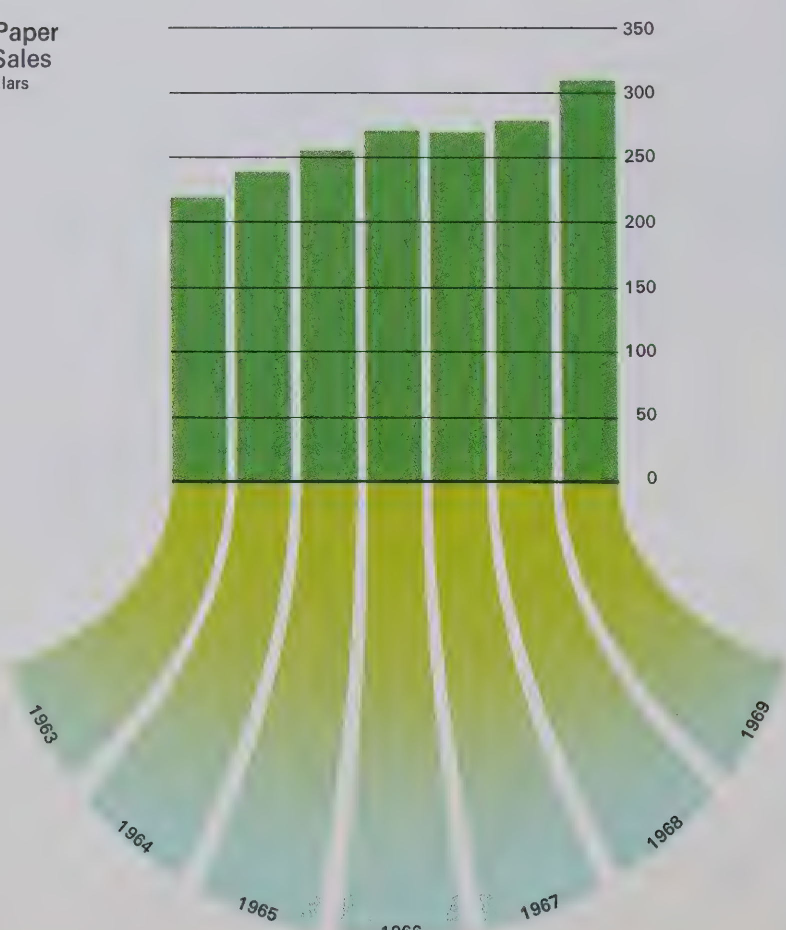
As a result of its continuing efforts to develop new products and markets, the company was able to expand sales of groundwood specialties and coated papers to 10% of its total newsprint volume. In 1970, this percentage is forecast to increase to 13%. Further capital expenditures will be made in 1970 in order to increase the capacity to produce specialty grades of groundwood papers.

The manufacture at Trois-Rivières, Quebec of high brightness grades used for pocket books and magazines resulted in increased sales of 12,000 tons in 1969 and establishes the company in a market which has a forecast annual growth rate of 5%.

A strengthening of the pulp market permitted the resumption in July of the unbleached sulphite operation at Donnacona, Quebec and the sale of 9,700 tons from that facility.

There were a number of major capital expenditures in the newsprint mills in 1969. The new oil-fired boiler for the Trois-Rivières mill, referred to in the 1968 Annual Report, was installed at a cost of $1.3 million and put into operation in early 1970. Two projects were approved to increase the production capacity of the mills at Dolbeau and Donnacona and, at the same time, improve the quality of the newsprint sheet. The estimated cost is about $1.7 million. Coated paper facilities were improved by the addition of a fountain blade coating head and the start-up of a new supercalender in the Trois-Rivières mill. Further significant expenditures will be made for the control of pollution in order to comply with government requirements.

Pulp and Paper Products Sales
Millions of Dollars



During 1968, the company assumed responsibility for the integration of the Containerboard and Corrugated Products facilities. The revised organization has enabled the company to react promptly to the changing needs of its customers and to retain its position of leadership in this industry in Canada. In 1969, production volumes of both board and boxes reached record highs. As a result of improved prices and efficiencies, profits for the combined operations were greatly improved. The price of linerboard on domestic and world markets improved during the year despite the implementation of the Kennedy Round tariff reductions.

The linerboard machine in the mill at Red Rock, Ontario produced a record 184,000 tons. Due to a reduction in the use of chemicals and purchased pulp, operating profit rose substantially at this location. Late in the year, approval was given for the expenditure of $18.3 million over the years 1970 to 1972 on a profit improvement and pollution abatement plan for the mill. Upon completion of the project, costs should be lowered considerably by a further reduction in chemical consumption and it will be possible for this mill to make greater economic use of substantial quantities of formerly wasted forest products – sawdust and shavings from lumber mills – which also has the added benefit of reducing production costs. Capacity will be increased to 200,000 tons as pulping facilities are expanded. The pollution abatement part of the plan, with which are associated expenditures of about $7.2 million, has taken into account the standards defined by the Ontario Water Resources Commission. Here, as in other areas, Domtar's research and mill personnel have contributed to the solution of the technical problems involved.

Sales of the Corrugated Products division increased by 10% in 1969. This reflects a major improvement in selectivity of products and customers and increased volume. Excess production facilities at plants outside Ontario were used to supply that important market where the company is operating at capacity. Installation of new equipment and the implementation of revised operating controls further increased production speeds and reduced labour costs. In order to

make use of some surplus corrugator capacity in the Peterborough, Ontario box plant, a new folder printer gluer was acquired for the Etobicoke box plant and one of the machines there was transferred to Peterborough. The project, which cost $473 thousand, enables it to handle some of the excess business from the Ontario plants at St. Mary's and Etobicoke. This is another example of rationalization of plant equipment so as to provide more efficient operation and better customer service. Structural design innovations contributed to significant new product penetration in leisure end-use products such as snowmobiles and outboard motors. A patent was issued for the Domtar "Snap-Rap" package, a box design which enables production line forming of the container without the use of special machinery as well as eliminating the need for laminants, staples and tape. The concept has received wide acceptance in the bakery, meat packing and shoe industries.

During 1969, changes were made in the company's sales organization in order to further enhance its ability to co-ordinate marketing and production activities.

Looking ahead to 1970, the newsprint industry is expecting both world demand and supply to rise by some 850,000 tons. A gain of 3.5% is possible for Canadian shipments which would be somewhat greater than the new capacity coming on stream. Reflecting these conditions, the average operating rates for Domtar's newsprint mills should be somewhat higher in 1970. Containerboard facilities presently under construction in Canada reflect the rapidly increasing world demand for linerboard and corrugating medium. Much of this new production is to be exported, as tariff reductions in many of the major consuming countries improve Canadian export opportunities. Against this background, the mills at Trenton and Red Rock are expected to operate at capacity to meet the increasing requirements of the box plants and customers.

In spite of an improved environment in the company's markets for most of its product lines during 1970, continuing attention must be directed to the control of sharply rising costs.

Principal Products: Standard and specialty newsprint; coated publication grade and directory papers; linerboard; corrugating medium; sulphite pulps; and corrugated shipping containers.

Domtar Fine Papers Ltd.
Vice-President and General Manager —
J. H. Robertson

The year 1969 probably was the most challenging, competitive and disruptive period in the history of the Canadian fine paper industry. Despite these difficult conditions, the company was able to report an increase in sales and profits due to the improved markets and prices for its hardwood pulp produced at the mill at Cornwall, Ontario.

In drawing up the sales and production forecasts for 1969, it was impossible to foresee the numerous disruptive forces which affected the domestic fine paper market. Some of the frustrating factors included the following: (a) a strike by the letterpress workers in the Toronto area in May; (b) a reduction in direct advertising and printing promotion due to the increase in postal rates; (c) increased imports from the United States following the Kennedy Round tariff reductions; and (d) a delay in purchases of school supply materials as a result of the new regional school board system introduced in Ontario.

In addition, the Federal budget in June caught the Canadian fine paper industry completely by surprise when it announced a sudden and rapid acceleration of the Kennedy Round tariff reductions. This subject had come up for discussion early in 1969 but appeared to have been rejected as a course of action. Considerable planning had been made by the company relative to arriving at the agreed upon tariff rates by January 1, 1972. However, the cutback of the three-year plan to June 4, 1969 caused a serious disruption to this orderly planning. In this regard, the industry was most disappointed that no recognition was given by the Federal Department of Finance to the work done by the Joint Government-Industry Committee studying the serious impact of the Kennedy Round on the fine paper manufacturers in Canada.

To counteract these factors, the following paper grades were produced and introduced to the Canadian market by this company in order to increase domestic sales by displacing imports from the United States: (a) a complete new line of colored text and cover papers by the Beauharnois mill in Quebec. This line had not been made previously by any other Canadian mill; (b) a new line of Postal Vellum Bristol at the Cornwall mill in white and colors for business letters, direct mail announcements and the specialty tag field; (c) a stock line of high bulk offset to complement present lines of Cornwall standard bulk offsets; (d) a medium density coated board to attract the large volume business available in the boxboard field.

Major capital projects were undertaken at the mills at Don Valley, Cornwall and St. Catharines, Ontario in order to increase production and make further improvements to customer service. Of these, the largest is at Cornwall where the mill is undergoing an expansion costing some $1.8 million. This includes improvements to paper machines, expansion in the stock room and warehouse facilities and the erection of a new rail car shipping building. The project, which is scheduled for completion in March, 1970 qualified for a loan of $440 thousand from the Ontario Development Corporation which will be forgiven over a period of six years provided that certain conditions are met.

Improved sales opportunities have occurred for the company in the United States market. In June, 1969 price reductions in Canada under the Kennedy Round arrangements touched the low point. However, the United States still has three years to go in reducing tariffs against imports. These reductions as they take effect will give the Canadian fine paper industry additional leverage by which it can exploit new opportunities across the border.

The company's export department stepped up selling activities in order to help offset the loss of business to imports from the United States and the slowdown in the Canadian domestic market. Encouraging sales gains were achieved in the Caribbean, Australian, South African and other markets and resulted in a record being established.

During the year a strong advertising, sales promotion and publicity program was launched to expedite the change from the Howard Smith designation in the black, yellow and red colors to the Domtar identification showing the blue, black and white graphics. This change has been successfully completed with a minimum of disruption and loss of continuity in customer relations and share of market.

Strengthening of management in both the production and merchant distribution areas together with better market conditions helped to improve operations greatly in the United Kingdom.

Principal Products: Fine, specialty and coated papers for the printing trade and business, including rag and sulphite bonds and ledgers; lightweight and duplicating papers; book and writing papers; litho, offset and text papers; coated papers and boards; black line, blueprint, carbonizing and drawing papers; cigarette papers; banknote and safety cheque papers; and construction and poster papers for schools.

Domtar Pulp & Kraft Paper Ltd.
Vice-President and General Manager —
J. P. Lunderville

The demand for kraft pulps continues to improve. For the first time in some years, demand was in excess of new capacity. As a result, the decline in pulp prices was arrested and some increases were possible. This trend is expected to continue in 1970.

Operations at the mill at Lebel-sur-Quévillon continued to improve through the year resulting in a 15% increase in production over 1968. Continued improvement in operating efficiency and pulp prices promise a profitable year in 1970.

In July, a new recreation centre was opened in the Town of Lebel-sur-Quévillon. Built by the Town at a cost of $800 thousand, the centre provides bowling alleys, curling rinks, a recreation hall, a lounge and meeting rooms.

The six-month strike at the kraft paper mills at Windsor and East Angus, Quebec ended towards the end of January, 1969. Mill operations were quickly restored to normal but a considerable period of time was required to re-establish a satisfactory market position.

The tariff reductions under the Kennedy Round on paper products, announced by the Canadian Government early in June, increased this company's vulnerability to competition from low cost producers in the United States and delayed increases in the price of kraft papers badly required in order to offset the rising costs of labour and materials. Significant imports early in the year of low priced converted products, particularly grocery bags, adversely affected sales and profits of the Converted Papers division. However, by year-end, the increased demand for paper products led to price increases and a shortage of supply in the United States. This reduced the threat of imports of kraft papers and converted products into Canada, permitted modest domestic price increases and improved the return from the company's growing volume of exports to the Northeastern United States.

Improved equipment and a strengthened sales organization has started to reverse a fall-off in sales and profits experienced by the Folding Cartons department.

Performance of the Fibre Can department showed a substantial improvement over previous years. The development, with the cooperation of the Central Research department, of new containers to serve a broader range of industries, together with the installation of additional productive capacity, has established a base for further growth in 1970.

Principal Products: Bleached and unbleached softwood and hardwood sulphate pulp; semi-bleached softwood sulphate pulp; kraft papers and boxboards for conversion; packaging and wrapping papers for the consumer trades; grocery and other paper bags; towelling and tissue products; folding cartons; and fibre cans and tubes.

Report on Operations Domtar Construction Materials Ltd.

Sales in 1969 were 5% higher than in 1968 principally as a result of the heavy carry-over in residential construction from last year. This sector of the market continued strong into the third quarter of 1969 but there was a marked fall-off towards the end of the year as the impact of the shortage of mortgage money and high interest rates took effect. Notwithstanding the adverse market factors, housing starts reached a record level of 210,415 units with all of the increase being in the multifamily sector. The question must be asked whether the 70% of starts in multifamily units in this country's cities is meeting the housing needs and aspirations of Canadians.

While it is encouraging to note the priority that the Federal Government has placed on housing, it is, at the same time, disappointing that their commitment of one million units over the next five years will only equal the average industry performance of the past two years. Housing requirements in Canada during that period were not met by this volume and the demand due to demographic factors is increasing.

Total building contract awards increased in value by 12% over 1968 but the volume increase was only about 5% due to price escalation. Numerous construction trade strikes across the country have resulted in a substantial volume of this business being carried over into 1970.

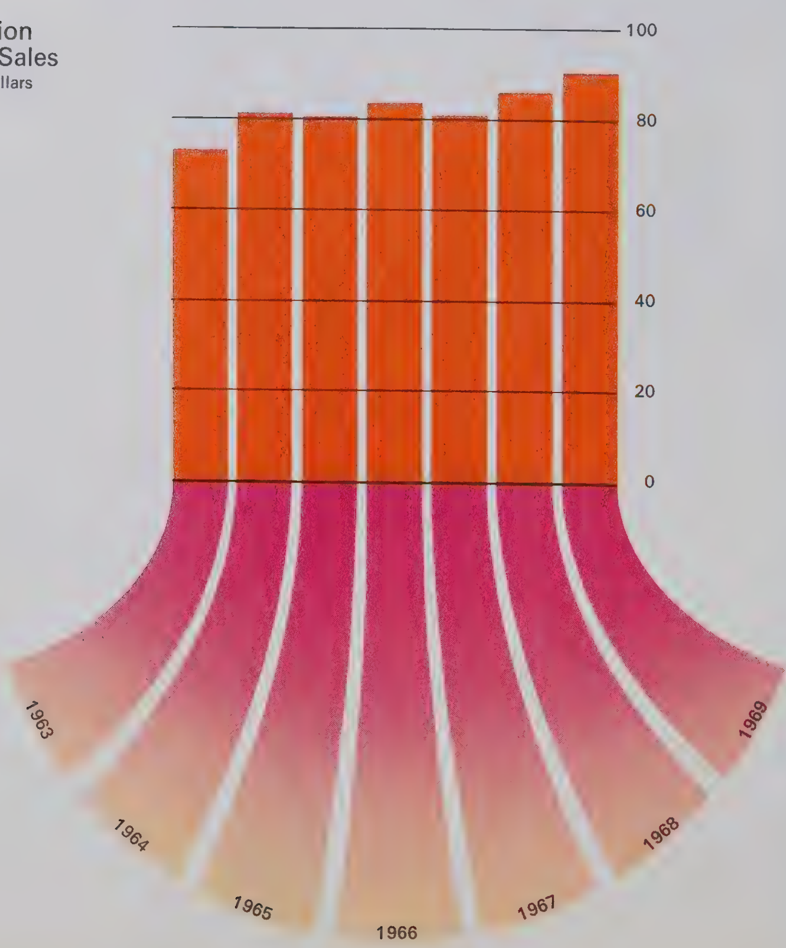
Profits were adversely affected by the ten-week work stoppage at the Calgary gypsum plant, rising wage rates, the continued cost-price squeeze and the shutdown expenses incurred in the phasing out of operations at the brick plant at Delson, Quebec and the sawmill at Blind River, Ontario. Offsetting these factors were continued improved operating efficiencies and increased sales of this company's more profitable product lines.

The continued low level of construction activity in Quebec was reflected in the decline of clay product shipments. Equipment was installed in the tunnel kiln brick plant at Laprairie, Quebec at a cost of about $500 thousand for the production of extruded brick, a type formerly made in the no longer economic Delson plant. The new installation at Laprairie will improve the product range while maintaining the market for extruded brick which would otherwise have been lost at the time of closing the Delson plant. The new product line will be introduced early in 1970.

Gypsum products sales, spurred by the strong residential construction market, reached record levels notwithstanding the Calgary plant strike. The capacity of the gypsum wallboard production facilities at New Westminster, British Columbia, is being increased at a cost of $845 thousand to supply the growing markets in that area. Work is expected to be completed early in the second quarter of 1970.

Fibre products, such as roof, sheathing and panel board, were particularly adversely affected by heavy price competition throughout the year despite the over-all strong market and shortage of some product lines. Construction at Cornwall, Ontario of a plant, estimated to cost about $2 million, for the manufacture of Perlite roof insulation board will be started in the first quarter of 1970. The board is a new type of non-combustible building material not previously made in Canada. It has successfully competed against other products made from inorganic materials to the point where it has obtained 35% of the American roof board market over the last ten years. The project has qualified for a forgiveable loan of $484 thousand from the Ontario Development Corporation.

Construction Materials Sales
Millions of Dollars



The Arborite division continued to record good progress in Canada with an ever broadening market potential for plastic laminates. An amount of $5.6 million was authorized for the construction of a plant in Vaughan Township near Toronto, Ontario for the manufacture of ARBORITE* decorative plastic laminates. The present warehousing facilities and sales office in Malton, Ontario and the industrial laminates plant located in Toronto will be integrated into the new plant. Production is expected to begin during the first quarter of 1971. The project will strengthen the company's position in this growth market area and help to maintain its position of leadership in the industry. Operations in the United Kingdom were disappointing with prolonged delays in bringing the new facilities into production and numerous work stoppages.

Volume in the Siporex division was about the same as in 1968. The projected increase in business did not materialize as government restraints impacted on institutional construction. Concentration on new products and product applications is diminishing this division's dependence on traditional markets.

The 1970 building construction outlook must be somewhat pessimistic. A strong over-all need is evident in all sectors but the selective deferral of capital cost allowances on commercial construction is projected to slow this sector and, unless the Federal government enacts special legislation to direct more funds to housing, residential construction will slow down due to the shortage of mortgage money.

Principal Products: Clay and sand-lime brick; acoustical plasters; fibre conduit and sewer and drainage pipe; asphalt shingles; roll roofing and siding; roof, sheathing and panel board; ceiling tiles and grid panels; linear ceiling systems; partition systems; gypsum lath, plank and wall board; wall panelling; ARBORITE* decorative and industrial plastic laminates; SIPOREX* lightweight cellular concrete products; HAYDITE* lightweight aggregate; and plastic conduit.

*Registered Trade Mark

Report on Operations Domtar Chemicals Limited

Results for the year were slightly under those for 1968. The increase in sales was not reflected in operating profit due to several unfavourable factors. The most important of these were a four-month strike at Longford Mills, Ontario, unseasonable weather conditions and wage increases far exceeding productivity gains.

Although moderate sales gains were achieved by the Sifto Salt division, profits were lower than last year. Sales increases in markets other than ice control were appreciable and partially offset the reduced volume occasioned by the unusually mild winter in Quebec and Ontario.

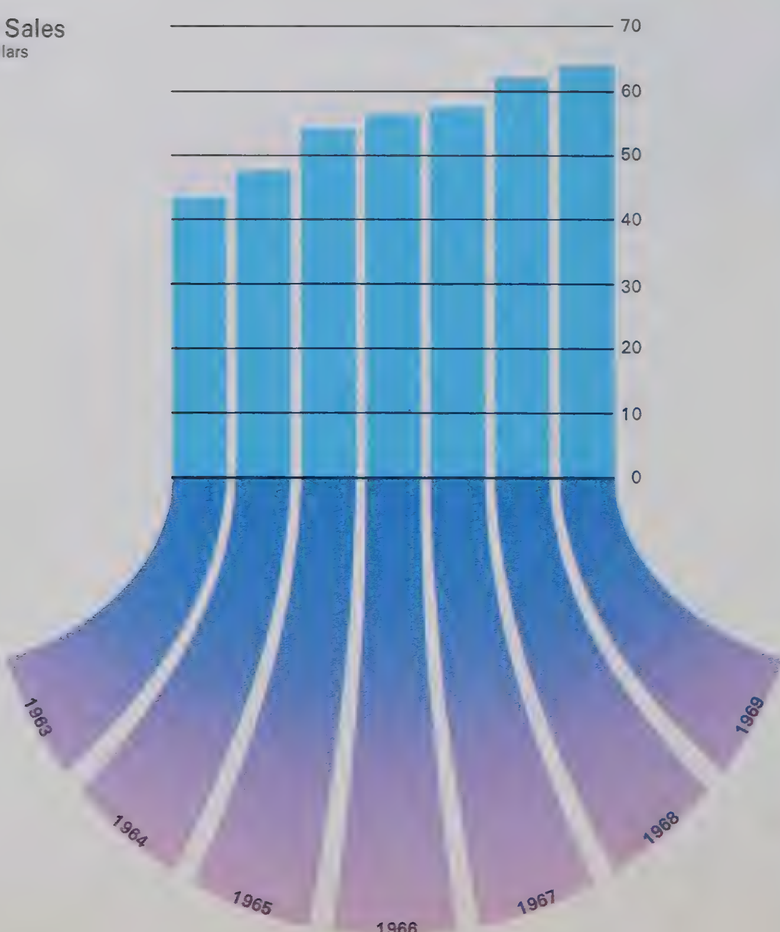
The expansion of the salt plant at Unity, Saskatchewan was completed on schedule and start-up problems were resolved by the end of the year. At Goderich, Ontario new surface storage facilities were built and the hoisting capacity of the salt mine is being increased at an estimated cost of $840 thousand. This project will permit a reduction in the turnabout time of the larger ships now transporting salt to customers and the company's warehouses on the Great Lakes. A major project to increase the capacity of the mine is planned to begin in 1970. Exploratory drilling on Cape Breton Island in Nova Scotia continued throughout the year and a large salt deposit was located. More development work will be carried out in 1970 and a final evaluation of commercial possibilities will then be made.

Demand for products of the Lime division was strong in 1969 with sales increasing by 15%. The steel and pulp and paper industries, the major consumers of limestone and lime in both the United States and Canada, expect high operating levels in 1970 and future years. Production of the lime plant at Beachville, Ontario will be almost doubled with the installation of a new rotary kiln and auxiliary handling facilities at a cost of about $3 million. It is expected that the kiln will be in operation by the end of 1970. A new hydrated lime plant, costing about $680 thousand, was built at Joliette, Quebec to replace the existing obsolete plant and increase capacity considerably. These two projects will help to meet the increasing demand for lime products in Eastern Canada.

Volume and profits of the Wood Preserving division declined in 1969. Railroad tie treating was lower than expected and continued curtailment of construction by the federal and provincial governments prevailed. The Prairie farm market was also lower than in 1968. The cyclical nature of this business is recognized. It is believed that 1970 will be a year of recovery. The division's marketing function was re-organized and strengthened in mid-1969 and an accelerated research and development program instituted. The outlook for the next few years is promising.

Results of the Tar & Chemical division were down drastically from the previous year. Sales of electrode pitch continued to increase but other products were seriously affected by lower demand and prices. The price erosion was particularly severe for the division's major chemical product, phthalic anhydride, due to low-priced imports from Europe. In addition, the division's costs were increased substantially during the last half of the year when strikes in Canadian steel mills reduced the supply of domestic tar. High cost raw material imports were necessary to maintain continuity of shipments to major customers. Some improvement is expected in 1970 but no early solution to the price problems is likely.

Chemicals Sales
Millions of Dollars



Plants of the Metal Powders division in Canada and the United States operated close to capacity throughout the year. In the face of serious over-capacity in the North American industry, this performance testifies to the excellence of the division's products and marketing skills. During the year, an agreement was entered into with Round Oak Steel Powders Ltd. whereunder the company agreed to supply technical knowledge for the construction of a metal powders plant in England by Round Oak. At Ridgway, Pennsylvania facilities costing over $1 million are being added to increase the throughput of the finishing department in order to double the productive capacity of the metal powders plant. The project, which should be completed early in the second quarter of 1970, is part of the long-term plan made when it was first decided to build this plant.

Sales by Chemical Developments of Canada Limited were well maintained during the first half of the year. Progress was seriously interrupted by a strike which began on June 13 and continued until mid-October. Efforts to assure alternate sources of supply for customers were costly but effective. It is believed that the excellent performance of this division's management and marketing staff was successful in retaining customer goodwill. Demand for its products is expected to be buoyant in 1970.

Principal Products: SIFTO* salt; pressure-treated and fire-retardant wood; coal tar pitches and acids; creosote; naphthalene and phthalic anhydride; limestone; hydrated lime and quicklime; iron and iron alloy powders; synthetic detergents; wetting agents; carboxymethylcellulose; and dyestuffs and pigments.

*Registered Trade Mark

Production Locations

Domtar Pulp & Paper Products Ltd.

New Brunswick
Moncton: Packaging – Corrugated products

Quebec
Beauharnois: Fine Papers
Dolbeau: Newsprint, Woodlands, Pulp
Donnacona: Newsprint, Pulp
East Angus: Woodlands, Packaging – Converted papers, Pulp & Kraft Paper
Lebel-sur-Quévillon: Pulp, Woodlands
Montreal: Packaging – Corrugated products
St. Alexis des Monts: Woodlands
St. Georges de Beauce: Woodlands
Ste. Foy: Packaging – Corrugated products
Stoneham: Woodlands
Trois-Rivières: Newsprint, coated publication grade papers
Windsor: Packaging – Converted papers, Fine Papers, Pulp & Kraft Paper, Woodlands

Ontario
Chatham: Packaging – Fibre can products
Cornwall: Fine Papers, Pulp
Don Valley: Fine Papers
Etobicoke: Packaging – Corrugated products
Georgetown: Fine Papers
Gilmour: Woodlands
Leaside: Packaging – Folding cartons
Mattawa: Woodlands
Nipigon: Woodlands
Peterborough: Packaging – Corrugated products
Prescott: Packaging – Fibre can products
Red Rock: Newsprint, Linerboard, Pulp
St. Catharines: Fine papers
St. Mary's: Packaging – Corrugated products
Trenton: Corrugating medium, Pulp

Manitoba
Morden: Fine papers – Flax
Winnipeg: Packaging – Corrugated products

Alberta
Calgary: Packaging – Corrugated products

United Kingdom
Sunderland: Fine Papers

Domtar Construction Materials Ltd.

Nova Scotia
Windsor: Gypsum Products

Quebec
Delson: SIPOREX*
Donnacona: Fibre Products
Lachine: Fibre Products
Laprairie: Clay Products
LaSalle: ARBORITE*
Montreal: Gypsum Products
Montreal: Sand-Lime Brick

Ontario
Brantford: Fibre Products
Caledonia: Gypsum Products
Cooksville: Clay Products
Cornwall: Fibre Products
Ottawa: Clay Products
Thorold: Fibre Products
Toronto: ARBORITE*

Manitoba
Winnipeg: Gypsum Products

Saskatchewan
Saskatoon: Fibre Products

Alberta
Calgary: Gypsum Products
Lloydminster: Fibre Products

British Columbia
Burnaby: Fibre Products
New Westminster: Gypsum Products

United Kingdom
North Shields: ARBORITE*

Domtar Chemicals Limited

Nova Scotia
Amherst: SIFTO* Salt
Truro: Wood Preserving

New Brunswick
Newcastle: Wood Preserving

Quebec
Delson: Wood Preserving
Joliette: Lime
Lachine: Metal Powders
LaSalle: Metal Powders, Tar & Chemical
St. Felix de Valois: Sand

Ontario
Beachville: Lime
Goderich: SIFTO* Salt
Hamilton: Tar & Chemical
Hespeler: Lime
Longford Mills: Chemical Developments
Sault St. Marie: Tar & Chemical
Toronto: Tar & Chemical
Trenton: Wood Preserving

Manitoba
Transcona: Wood Preserving

Saskatchewan
Prince Albert: Wood Preserving
Unity: SIFTO* Salt

Alberta
Cochrane: Wood Preserving
Edmonton: Wood Preserving

British Columbia
Blubber Bay: Lime
Dawson Creek: Wood Preserving
Granville Island: Lime
New Westminster: Wood Preserving
Prince George: Wood Preserving
Vancouver: Vancouver Salt Co. Ltd.

U.S.A.
Tacoma, Wash: Lime
Ridgway, Pa.: Metal Powders

*Registered Trade Mark

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